

2004 Situation Analysis

Overview

The lingering effects of 9/11, the war with Iraq, SARS, and difficult economic conditions presented a challenging set of circumstances for the travel industry in 2003. The increase in destination skiers and gains in the restaurant sector helped the amount of spending and employment related to travel and tourism to improve slightly. A successful 2002 Olympic Winter Games played a significant role in attracting more destination skiers to the state in 2003. However, research has shown that people need to be reminded that the Olympics were held here. Without that reminder and an invitation to visit, potential travelers still revert back to old stereotypes when thinking about the state. Advertising does present at least an \$8.64 to \$1 ROI (Return on Investment) and is necessary to capitalize on the success of the 2002 Games. As the economy improves, the amount of tourism, travel, and recreation in Utah should increase if people are reminded of what Utah has to offer.

2003 Summary

Utah Bucks the National Trend - Again. Similar to 2002, Utah's travel and tourism sector performed quite well, considering the difficult year it has been for tourism nationally. Non-resident tourism arrivals to Utah nearly matched 2002 (Olympic-year) levels, decreasing only 0.6% to 17.2 million. The number of domestic travelers lowered just barely, while international visitation fell 3.3%. Visitation reports indicated a minimal decrease in vehicle traffic along Utah's interstates and slightly less visitors at national parks and state-operated welcome centers. Hotel occupancies were 59.3% in 2003, a small decline of 2.8%. Despite falling prices nationally, statewide room rates decreased only slightly when compared to 2002, indicating somewhat less demand in the state's lodging sector. Hotel room rents declined 12% when compared to 2002, but that was to be expected since hotel room rents for the Olympics were uncharacteristically high. Hotel room rents for 2003 surpassed room rents for 2001, continuing an upward trend that has lasted over 20 years (if 2002 is considered an outlier). The downturn in air travel continued throughout the nation in 2003, but the number of passengers at the Salt Lake International Airport basically equaled those of 2002. The long-lasting drought continued difficulties at many state parks and prompted a 22.4% decline in state park visitation during the year. A year after the Olympics, the number of skier days increased 5.6%. Destination skiers, who viewed Utah and the Olympics on television, salvaged what could have been one of the worst seasons in decades. Local skiers stayed off the slopes due to the lack of snowfall to which they've grown accustomed.¹

In 2001, consumers began retrenching, given the increase in economic uncertainty related to employment, income growth, and the stock market. Reactions to the terrorist events of September 11th prompted further changes in travel behavior. Continued economic uncertainty, combined with the war on terrorism, further entrenched those changes in 2002. The war with Iraq, SARS, and a weak economy caused the trends of 2002 to continue in 2003. The most salient changes in travel behavior from 9/11 to the present include:

- Shorter trips closer to home
- Booking/reserving within 2 weeks of trip
- Less business travel
- Online requests for information and online booking
- Spending less
- More interest in making connections – with family, nature, heritage, and culture
- More interest in outdoor recreation activities and travel to rural America

Utah was well positioned to benefit from many of the changing travel patterns among domestic leisure visitors. Utah's gains among domestic leisure travelers, combined with the after-effects of the Olympics and a good convention year, helped offset declines in business and international travel. The increases in destination skiers and in the restaurant sector helped total traveler spending to rise 2.0% in 2003, to \$4.225 billion. Total state and local taxes generated by travel spending totaled \$341 million in 2003, or \$486 per Utah household. Increases from regional and discount airlines prompted travel-related employment to increase 1.6% in 2003. Total travel-related employment was 102,783 in 2003, accounting for 10% of total Utah nonfarm jobs.

Perceptions of Utah and Advertising Effectiveness a year after the 2002 Olympic Winter Games

Despite the significant gains for the state's tourism industry during the Olympic period, research indicated that part of the 2002 Olympic Winter Games legacy could be in increased tourism opportunities in the future. A survey among U.S. residents shortly after the conclusion of the event identified the following changes in Utah's domestic image:²

- Utah's image improved slightly as a result of the 2002 Olympic Winter Games;
- 7.1 million more adults say they are likely to vacation in Utah than before the Games;

¹ Visitation reports collected from Salt Lake City Department of Airports, National Park Service, Utah Division of Travel Development, Utah Division of State Parks, Utah Department of Transportation, Ski Utah and the Rocky Mountain Lodging Report.

² *Measuring the Impact of the Olympic Winter Games on Utah's Image*, Wirthlin Worldwide, Spring 2002.

- Utah is more recognized today for its scenic beauty, mountains, winter sports, ski resorts, cleanliness, and friendly people after exposure through the Games; and
- Utah's high quality workforce is more recognized by executives around the country following the Games.

One can look back on 2003 and see that the Olympics definitely had a positive effect on Utah's ski season and helped the tourism industry nearly maintain 2002 levels in spite of many obstacles. However, Utah's Olympics will become old news once the torch is lit for the 2004 Games. Additionally, the 7.1 million adults - who say they are likely to vacation in Utah as a result of the Olympics - are potential marginal gain directly attributed to the Olympics. Whether or not they will actually come remains to be seen. In 2003, focus groups were conducted "to determine the most appropriate message opportunity evolving from the post-Olympic afterglow into the next phase of attracting additional visitors" to the state.³ Results showed that without reminding people that the Olympics were here, people still have the following perceptions of Utah:

- Very closely associated with the Mormon religion
- More conservative than Colorado
- Limited nightlife available
- Limited activities available
- Described as desert-like, red-rocks

Once these same people were reminded that the Olympics were held in Utah, their perceptions of Utah quickly changed to talking about Utah's beauty, mountains, and sports. They remembered seeing people having fun at night during the Olympics and talked about Utah being a fun place with lots to do. The logical conclusion is that Utah's tourism industry needs to continue to remind potential visitors about the Olympics and what Utah has to offer. With some aided awareness, Utah may still benefit from the afterglow of the Olympics but the time frame to accomplish this task is quickly narrowing. Additionally, Utah has been losing traveler spending market share to other states. From 1992 to the present, Utah's market share has trended downward overall. Advertising is crucial to maintaining the small market share that the state has, and further funding may even help to increase Utah's share of traveler spending.

In 2003, an advertising effectiveness study was also conducted.⁴ This was the first study of its kind for the State of Utah. One of the goals of the study was to determine the ROI for the State's advertising in 2003. Using a conservative approach, the study demonstrates that the State's advertising generated an ROI of over \$30 million in tax revenue in 2003. Additionally, \$8.64 in tax revenue is generated for each \$1 spent on advertising.

2004 Outlook - Cautious Optimism

Despite a fair amount of uncertainty, the outlook for 2004 is cautiously optimistic. Factors such as the economy, consumer confidence, the stock market, shifting travel preferences, our continued presence in Iraq, and the ever-present possibility of another major terrorist attack could cloud the view. Nonetheless, Utah tourism is expected to increase in 2003. Slow but steady growth in domestic leisure travel should occur, especially if the economy continues to improve. Business travel is predicted to remain weak, but as more and more signs point to a healthier economy, business travel may eventually increase. International travel is expected to grow despite new government security policies that discourage travel to the U.S. Early snowfall allowed most Utah ski resorts to open early, and the 2003/04 ski season was the best ever in Utah, with nearly 3.4 million skier days. Furthermore, visitation to Utah's National Parks was up 10% in the first quarter of 2004, compared to the first quarter of 2003.

Competition among nearby destinations for the local and regional markets will continue to intensify, as marketers continue to focus their priorities towards close-to-home markets and quick getaways. Many western states spend much more on marketing and advertising than Utah to attract their visitors, and the battle for market share is constant. Notwithstanding, national trends highlight opportunities in key segments of the travel market including adventure travel, cultural and heritage tourism, nature-based travel, and family travel. Utah is well positioned to attract visitors seeking a higher quality, more unique experience. However, those visitors need to hear what the state has to offer.

³ *Utah Travel Council Research Report*, Riester-Robb, August 2003

⁴ *FY03 Utah Advertising Effectiveness Study*, NFO Plog Research, August 2003

SUMMARY OF UTAH TOURISM ACTIVITY - 2003

Economic Indicators	2003	2002	% Change
Total Non-Resident Visitors	17.2 Million	17.3 Million	-0.6%
U.S. Visitors	16.6 Million	16.7 Million	-0.6%
International Visitors	590,000	610,000	-3.3%
Total Tourism Spending	\$4.225 Billion	\$4.142 Billion	2.0%
Total Tourism-Related Tax Revenues	\$341 Million	\$335 Million	1.8%
State Tax Revenues	\$251 Million	\$247 Million	1.6%
Local Tax Revenues	\$90 Million	\$89 Million	1.1%
Total Tourism-Related Employment	102,783	101,164	1.6%
Direct Tourism Employment	70,509	69,398	1.6%
Indirect Tourism Employment	32,274	31,766	1.6%
Volume Indicators	2003	2002	% Change
Airline Passengers at Salt Lake International Airport	18.5 Million	18.7 Million	-1.1%
National Park Visitors	5.0 Million	5.1 Million	-2.0%
National Monument & Recreation Area Visitors	4.9 Million	5.0 Million	-2.4%
State Park Visitors	4.6 Million	5.8 Million	-20.6%
Utah Welcome Center Visitors	659,000	677,000	-2.6%
Total Skier Visits	3.1 Million	3.0 Million	3.3%
Statewide Hotel Occupancy Rate	58.8%	62.1%	NA
Interest Indicators	2003	2002	% Change
Utah.com Visitors	3.3 Million	4.0 Million	-17.3%
Total Phone Calls	33,000	39,800	-17.0%
Total Travel Guide Fulfillment	43,800	50,300	-12.9%